

# FISCAL NOTE

**Bill #:** HB0115

**Title:** Generally revise property tax exemption laws

**Primary Sponsor:** McNutt, W

**Status:** As Amended in House Committee

|                   |      |                             |      |
|-------------------|------|-----------------------------|------|
| Sponsor signature | Date | David Ewer, Budget Director | Date |
|-------------------|------|-----------------------------|------|

## Fiscal Summary

|  | <b><u>FY 2006<br/>Difference</u></b> | <b><u>FY 2007<br/>Difference</u></b> |
|--|--------------------------------------|--------------------------------------|
| <b>Expenditures:</b>                       |                                      |                                      |
| General Fund                               | \$0                                  | \$0                                  |
| <b>Revenue:</b>                            |                                      |                                      |
| General Fund                               | \$0                                  | \$0                                  |
| <b>Net Impact on General Fund Balance:</b> | \$0                                  | \$0                                  |

- |   |  |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input type="checkbox"/> Technical Concerns            |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input type="checkbox"/> Needs to be included in HB 2  |

## Fiscal Analysis

### ASSUMPTIONS:

1. HB 115 proposes to clarify and define the number of acres that may be exempted for a church or parsonage.
2. Churches will be allowed a maximum of 15 acres as part of their exemption, after subtracting any area required by zoning, building code, or subdivision requirements.
3. The exemption of land associated with a parsonage of a church is limited to one (1) acre.
4. A search of the past four (4) years of Department of Revenue application for exemption records could find no properties that would be affected by either of these requirements.
5. The bill proposes to limit the number of acres that may be exempted for a not-for-profit educational institution and provides further requirements for obtaining an exemption as an education institution. In addition, the applicant must provide a legal description of the property when applying for the exemption.
6. At the time of purchase, a property purchased by an exempt purely public charitable organization will receive an immediate exemption under the proposal even if the property requires improvements before it can be used by the charitable organization.
7. The bill provides for a tax repayment to all taxing entities for property, which has been granted an exemption but has not been used for its intended charitable purpose within eight (8) years of purchase by the charitable organization.

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(continued)

8. If a property has been purchased by a charitable organization, and has been granted an exemption and is subsequently sold or transferred by the organization, the bill provides remedy for repayment of taxes.
9. In both assumptions #7 and #8, the current year taxes must be paid. In addition, the owner of the property must also pay an amount of taxes equal to the tax due in that year, multiplied by the number of years the exemption was granted. The amount due is a lien upon the property and is distributed to funds or accounts in the same ratio as property taxes are distributed.
10. Under the proposal, the Department of Revenue (DOR) will be required to submit a form to the county clerk and recorder providing notification that the exemption has been granted. The form will describe the penalty for default as described in the bill, and shall specify that the default will create a lien on the property.
11. DOR will be able to assume the costs associated with form development and other administrated costs in its current budget.
12. This act is effective for tax years beginning after December 31, 2005.